

KEYSPAN ENERGY DELIVERY NEW ENGLAND  
D.T.E. 05-68

FIRST SET OF INFORMATION REQUESTS OF THE  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO  
KEYSPAN ENERGY DELIVERY NEW ENGLAND

DTE 1-3

Date: February 1, 2006

Respondent: Theodore Poe, Jr.

- Q. Please refer to pages 53-55 of the filing. Where the Company used imputed costs:
- (a) please explain the imputation method used,
  - (b) explain whether the definition of costs as used here is limited to private costs or includes societal costs, and
  - (c) explain whether the Company has purchased insurance to avoid liability for such costs. If not, please explain.
- A. (a) In performing its cost-benefit analysis to establish its design day and design year standards, the Company investigated the cost of holding capacity and supply adequate to serve its customers versus the "benefit" of avoiding the incurrence of physical and economic damages to its customers. There are three specific costs that the Company calculated and assigned to the "benefit" side of the analysis: re-light costs, freeze-up damages, and economic damages. (Please refer to the Company's response to DTE 1-2 for definition of these costs.) Given that imputed costs are those costs which are indirectly, rather than directly, incurred and that these three costs are direct costs, there was no imputation performed in the Company's analysis.
- (b) As noted above, in performing its cost benefit analysis, the Company compared the cost of maintaining resources necessary to meet design day and design year demand to the cost to customers of experiencing service curtailments. This is consistent with well established Department precedent. See, Colonial Gas Company, DTE 96-18; at pp.15-20; KeySpan Energy Delivery New England, DTE 01-105 at 6; New England Gas Company DTE 04-6-A. Service curtailment costs would be costs borne directly by the customers on behalf of whom the Company purchases supply and

capacity resources and as such would be considered private rather than societal costs.

- (c) Under its Distribution Service Terms and Conditions at section 20.2, the Company's liability with respect to the costs identified above is limited. However, to the extent that the Company was found to be responsible for any or all of the costs associated with a curtailment of service then, the Company is self insured against such losses. The Company also purchases excess liability insurance coverage for those claims that may exceed the Company's self insurance retention limit.